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March 15, 2001

CareFirst, Inc.
c/o Credit Suisse First Boston Corporation
Eleven Madison Avenue, 23rd Floor
New York, New York 10010-3629

Attention: Benjamin C. Adams, Director

Ladies and Gentlemen:

WellPoint Health Networks Inc. ("WellPoint") is pleased to respond to the issues raised by Credit Suisse First Boston ("CSFB") with our March 2, 2001 proposal (the "March 2 Proposal") regarding a potential transaction with CareFirst, Inc. ("CareFirst"). In a March 8, 2001 conference call, CSFB asked WellPoint to clarify its position on the following:

1. Tax-Exempt Entity indemnification for any breach of a representation, warranty or covenant.

WellPoint is willing to eliminate all Tax-Exempt Entity indemnification requirements cited in Section 6.16(iii) of Rider 39-A, other than indemnification related to the Private Letter Ruling in Section 6.8.

Your draft Merger Agreement contemplates that CareFirst will obtain a Private Letter Ruling from the Internal Revenue Service that its conversion (and that of its subsidiary companies) qualifies as a tax-free transaction. As is customary in conversions of this type and as was obtained in WellPoint's May 1996 recapitalization, WellPoint would expect that, as recipients of the merger consideration, the Tax-Exempt Entities would indemnify WellPoint against any tax liabilities if the conversion transaction were later determined by the Internal Revenue Service to be a taxable event. WellPoint is willing to delete any other requirements that the Tax-Exempt Entities provide indemnification to WellPoint.

2. Definition of "Average Purchaser Stock Price" includes a minimum of \$80.00 per WellPoint share.

We understand the importance CareFirst places on certainty of consummation, and share your desire to enter into a transaction with the highest likelihood of closing. Please note that this provision does not allow WellPoint to terminate the transaction should the average share price be below \$80.00. Rather, it sets a ceiling on the

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number of WellPoint shares to be issued and therefore could reduce the value of consideration received by the Tax-Exempt Entities.

In any event, in response to the concerns expressed by CSFB, WellPoint is willing to make the following enhancements:

- (i) Set the minimum share price at \$75.00 instead of the \$80.00 cited in our March 2 Proposal. As a reference point, the 12-month target price Wall Street analysts currently place on WellPoint shares averages \$125.00, with the top target exceeding \$150.00 per share.
- (ii) Provide only CareFirst the right (but not the obligation) to terminate the transaction in the event WellPoint's average stock price in the 20 days prior to close falls below \$75.00.
- (iii) However, should the average price be below \$75.00 and CareFirst invokes its right to terminate in (ii) above, WellPoint could choose to provide additional shares of WellPoint common stock or cash sufficient to restore the aggregate value to the purchase price cited in #7 below (and thus close the transaction).

3. Rider 42-A, Section 7.3(h) Minimum Trailing EBIT, and 7.3(i) Risk Based Capital.

WellPoint is willing to delete these provisions in order to further strengthen our March 2 Proposal.

4. CareFirst and WellPoint Representations and Warranties.

CSFB expressed a desire to negotiate, at the appropriate time, the representations and warranties contained in our March 2 Proposal. With a spirit of understanding and flexibility, WellPoint looks forward to those negotiations and does not perceive this issue as an impediment to successfully executing a transaction.

5. WellPoint Board of Directors approval.

To clarify our March 2 Proposal, WellPoint Board approval would be sought and received prior to executing an agreement. The closing would not be subject to WellPoint Board approval.


6. Define indebtedness as it relates to WellPoint's proposed purchase price adjustment.

To simplify and improve the March 2 Proposal, we would like to eliminate the adjustment to purchase price for indebtedness. Instead, WellPoint will rely on a CareFirst covenant contained in Section 6.1(a)(ii)(m) of Rider 31-A to address indebtedness for borrowed money.

7. Value and mix of consideration.

We would like to make several observations relating to certainty of value:

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- In discussions between CareFirst and WellPoint management, we agreed on the importance of the combined company as a platform for internal growth and acquisitions, as well as the benefits accruing to our employees and stakeholders from such growth. Our March 2 Proposal, by utilizing WellPoint stock as a component of consideration, was designed to provide the combined company with the flexibility to invest for growth.
 - Nevertheless, we recognize the need for certainty of purchase price. In the March 2 Proposal the exchange ratio for the stock component automatically adjusts so that the aggregate value of the stock component does not change under any circumstance in which the WellPoint share price exceeds \$80.00 (now revised down to \$75.00).
 - Regarding the cash portion of the merger consideration, the March 2 Proposal provided for a minimum of \$400 million, with an option to increase the relative amount of cash (up to 100%) at closing. Such a decision would depend on conditions and WellPoint's alternative investment opportunities prevailing at the time of the close.

Further, we would like to make the following enhancements to WellPoint's March 2 Proposal:

- (i) Increase the minimum cash portion of the merger consideration to \$450 million.
- (ii) Increase the purchase price by \$50 million from \$1.2 billion to \$1.25 billion.

It is clear from our discussions with CSFB that CareFirst places relatively greater emphasis and value upon the issues addressed in this letter than on the earn-out provision in WellPoint's March 2 Proposal. Therefore, in consideration of the substantial improvements to our March 2 Proposal contained within this letter, we are hereby removing the earn-out provision.

In summary, we have tried to be responsive to concerns expressed by CSFB and believe this letter significantly enhances both the certainty of closing a transaction and the certainty of value to be paid at the close.

We remain excited about this opportunity. If it would be helpful, at the right point in the process Leonard Schaeffer would be happy to address your Board regarding WellPoint and this transaction.

Sincerely,

